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Management of the Executive Branch
A Report to
The Forty–Fifth Legislature

Thomas L. Judge, Governor

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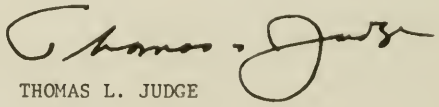
TO MEMBERS OF THE FORTY-FIFTH LEGISLATURE

Four years ago the legislature appropriated funds to my office to continue the efforts of executive reorganization and continuously work to improve the structure and operating ability of the executive branch of state government. In 1974 the legislature refined this concept with its first appropriation of funds for program planning and by reestablishing the position of budget director in my office. I established the Office of Budget and Program Planning to prepare and administer the state budget, develop and evaluate alternative program plans, and examine and improve management practices.

The Office of Budget and Program Planning has been instrumental in my study and evaluation of the organizational structure, management practices, and functions of the executive branch as provided in Section 82-1315(1), R.C.M. 1947. The enclosed report summarizes the activities of my office in management of the executive branch of state government, and details my recommendations for legislative action to improve the manageability of the executive branch.

If more information is desired on any of the matters discussed in this report I invite you to contact the Office of Budget and Program Planning.

Sincerely,



THOMAS L. JUDGE
Governor

PART I

BUDGETING, PLANNING, AND RESEARCH

MANAGEMENT PRACTICES

Program Planning and Budgeting

It has become increasingly evident that state government's efforts in the areas of intermediate and long-range planning have been inadequate. Given the built-in growth potential of state programs and the increasingly severe revenue constraints which governments face, it is imperative that Montana state government project its activities and resource needs further into the future than has been the case to date. A systematic effort must be made to link policy formulation with program implementation, assess the long-term program and financial impacts of current government activities, review the effects that current decisions and actions will have several years from now, and examine the kinds of services which will be needed at various points in the future. The Executive Planning Process and Priority Budgeting System as implemented by this office, is a large step in that direction.

House Bill 643 (Chapter 460, Montana Session Laws of 1975) provides that the "budget director shall implement a program planning and budgeting system ... for at least one program in representative agencies of state government service such as planning, human service delivery, licensing and regulation, and other programs as determined by the budget director."

The Office of Budget and Program Planning responded to this legislation by designing a program planning and budgeting system which consists of four distinct but closely related phases: policy formulation, long-range planning, budget development, and variance reporting.

The first three steps in this process have been completed, the results being reflected in the Governor's Policy Initiatives, the six-year Executive Planning Process and the "Priority Budgeting System" as presented in the Executive Budget 1977-79. The final step -- variance reporting -- will be commenced in 1978 following implementation of the Priority Budgeting System by the 45th Legislative Assembly.

The Governor's Policy Initiatives are guidelines which express the policy concerns of this administration with respect to the current and future direction of Montana and its government. The policy initiatives address seven functional areas -- general government, community affairs, the economy and the environment, education, human services, public safety and protection, transportation -- and contain general yet definitive statements of policy which form a basis for future program and financial planning.

The Executive Planning Process consisting of six-year agency plans, and founded upon the Governor's Policy Initiatives, serve as a management tool to systematically tie together the wide ranging efforts of state government and shift the decision making emphasis from resource inputs to program results. The Executive Planning Process, by expanding the normal biennial planning and budgeting horizon by four years, enables the agency to sharpen its determination of future resource needs and allocation problems, program outputs, and anticipated program changes. At the same time, the Governor and his staff are provided with a definitive understanding of the direction and consequent resource needs of Montana executive branch agencies.

The Priority Budgeting System, a modified zero-based budgeting

approach, extends the planning/budgeting process by linking program cost information with anticipated program results. The basic concept of the Priority Budgeting System is that the estimate of financial needs for a budget must be justified and analyzed in its entirety. In addition to the analysis inherent in the Executive Planning Process, the Priority Budgeting System further requires a biennial assessment of the benefit derived from ongoing operations, as well as the need for additional resources. This system also identifies to all levels of management the cost, benefits, and suggested operational improvement associated with the achievement of desired goals and objectives.

The final step in the program planning and budgeting process is variance reporting. These reports are to be analyses of program effectiveness and will measure the degree to which program objectives, as specified in the budget, were achieved.

The program planning and budgeting process is realized in the 1977-79 Executive Budget and will be fully operational in the forthcoming biennium. The development work which has brought the process to this juncture has been invaluable both in terms of illuminating ways to improve the process and in pointing to the crucial need for a management system of this type.

Executive Budget 1977-79

The 1977-79 biennial executive budget incorporates a new format for the collection, analysis, and presentation of budget information. For the first time it is possible to clearly distinguish between an existing, current level of service and program expansions or modifications. Furthermore, the separation of current level from modified

service levels allows the Governor and Budget Director to prioritize service modifications so that program changes and expansions are consistent with the long-range Executive Planning Process and Governor's Policy Initiatives.

Position Control

"To facilitate state budgeting," House Bill 527 (chapter 181, Montana Session Laws of 1975) required that "as directed by the budget director, each agency shall maintain a list of current authorized positions, the number of positions in each class and the salaries or wages being paid, appropriated or proposed for each class." The Office of Budget and Program Planning responded to this mandate with the development of a centralized, fully automated Position Control System. This system provides reports, as necessary, but at least monthly, identifying the number of authorized and unauthorized agency positions, vacancies, budgeted salaries and their expenditures to date. This report allows continual management review of state FTE levels and expenditures for personal services. A second report created by the system entitled "Budget by Position" projects state FTE and salary requirements into the next biennium. This report makes it possible to determine, almost immediately, the agency or statewide fiscal impact of collective bargaining agreements, classification and pay plan changes, and other legislative and administrative program modifications.

Research

In November 1975, the Office of Budget and Program Planning

established the Research Unit as an internal component within the Planning Division. This Unit was created to conduct policy and evaluation research, [Section 82-1315(1)] and provide technical assistance to state and local agencies. Since its creation one year ago, the Research Unit has produced or contributed to 11 studies. Attachment A includes a list of research reports.

The Research Unit is currently conducting three major projects. The Title XX Needs Assessment Project is being performed pursuant to a contract with the Department of Social and Rehabilitation Services. This study will identify the human service needs of the State of Montana and serve as the foundation of the next biennial Title XX plan.

An Evaluation of Deinstitutionalization is supported by a grant from the U.S. Department of Health, Education, and Welfare. This project seeks to: define the administrative and programmatic context of Montana programs for deinstitutionalization for the developmentally disabled and emotionally disturbed; assess the effects of deinstitutionalization upon the behavior of clients treated in community based settings; analyze the fiscal requirements and expenditures of deinstitutionalization programs; and, investigate alternative methods of financing deinstitutionalization and community based services.

Montana Futures is a project to seek out the opinions of state residents and create a chance for the Montana citizen to provide input to his government and directly shape the state's future. Montana Futures is designed as a statewide public opinion survey to inject

public input into policy and planning initiatives of the Administration.

The activities of the Research Unit have played an integral role in policy development, long-range program planning, and problem solving during the past year. The Administration expects the Research Unit to continue its contribution to the increased efficiency, effectiveness, and accountability of state government.

PART II

EXECUTIVE REORGANIZATION

RECOMMENDATIONS TO THE LEGISLATURE

ORGANIZATION STRUCTURE

Enforcement of the Executive Reorganization Act

The Office of Budget and Program Planning has prepared the revised chart of the Organization of the Executive Branch appended to this report. See Attachment B. The chart shows constitutional officers, principal departments indicating the department head, statutory offices within a department, agencies allocated to a department for administrative purposes only, and statutory advisory councils. The chart will be revised after each Legislature to reflect additions, deletions, transfers, and name changes.

In order to assist department heads with establishment of an internal organizational structure of the department [82A-107(g), R.C.M. 1947], the Office of Budget and Program Planning issued Management Memo 1-74-10, dated October 10, 1974, providing an organization chart approval procedure. Organizational charts of nearly all departments have been updated and appear in "A Legislator's Handbook" distributed by the Legislative Council.

Executive Reorganization is an ongoing process. Since the inception of Executive Reorganization a number of major changes have been made to improve the structure of state government. Again, this year legislative support is requested to further strengthen the organization of Montana state government. As detailed below, the recommended organizational changes are relatively small. State government is working effectively and major reorganization is not necessary.

Office of the Governor

At the present time the Governor's Office includes a number of organizational entities whose functions are largely unrelated to state administration. These organizations -- Federal/State Coordinator, Mental Health Advisory Council, Manpower Planning Council, Office of Commerce, and Council on Physical Fitness -- were originally established within the Governor's Office to provide the centrality, visibility, and authority necessary for successful program implementation. With that initial goal achieved, the responsibility for continued program administration should be shifted to other agencies with similar duties.

It is recommended the Office of the Federal/State Coordinator be discontinued as a separate entity and its functions be moved to the Department of Community Affairs. The Federal/State Coordinator is responsible for providing an effective liaison among state, local, federal, and private organizations, and for providing information to all officials, agencies, organizations, and individuals regarding federal and state funding programs. The objectives of the Office are to coordinate federal, state, and local functions; to identify funding resources for use by state organizations; to disseminate federal policy and grant information; to advocate Montana's viewpoint to the federal establishment; to improve state utilization of federal resources; and to make federal and state resources more readily accessible to local government. The state/local coordinator, a subcomponent of the office acts as official liaison between public and quasi-private agencies at the state and local levels, and advocates the viewpoint of local government throughout the executive and legislative

branches of state government. The functions are consistent with the mandate of the Department of Community Affairs, the agency specifically designated to administer laws and programs pertaining to intergovernmental affairs.

It is recommended the Mental Health Advisory Council be attached to the Department of Institutions for administrative purposes only. The Council was implemented by the Forty-Third Legislature and continued as a result of HJR 55 of the last legislative session. The Mental Health Advisory Council is responsible for advising the Governor and the Legislature on the future direction, scope, and financial requirements in the field of mental health services that Montana provides or, should provide, to the citizens of the state. These activities are intimately related to the planning and operational activities of the Department of Institutions.

It is recommended the Manpower Planning Council, also known as the Employment and Training Council, be transferred to the Department of Labor and Industry. This Council was established pursuant to P.L. 93-203, the Comprehensive Employment and Training Act of 1973, to:

> "provide job training and employment opportunities for economically disadvantaged, unemployed, and underemployed persons, and to assure that training and other services lead to maximum employment opportunities and enhance self-sufficiency by establishing a flexible and decentralized system of federal, state, and local programs."

Manpower Planning is responsible for promoting a social and economic

situation in Montana which will allow maximum employment and a decent standard of living for Montanans. The objectives of the Program are to maintain current, accurate statistical data and information on occupational surpluses and shortages, probable job openings, and proposed industrial development, to develop a comprehensive Statewide Manpower Plan, and administer funds received under the Comprehensive Employment and Training Act.

It is recommended the Office of Commerce be transferred to the Department of Community Affairs and merged with the Economic Development Division to create a single state agency for economic planning and development program. At present, the Office of Commerce conducts many of the functions performed by the Economic Development Division. The marriage of those two organizational units will facilitate more efficient coordination of state economic development activities.

It is recommended the Council on Physical Fitness be moved to the Department of Community Affairs. This body is responsible for assisting local communities, establish programs and facilities for physical fitness and sports recreation and is consistent with the Department's mission of service to local units of government.

The proposed reorganization of the Governor's Office will not require statutory changes. The support and concurrence of the Legislature is requested.

Economic Development

State economic development efforts began in 1935 when the Montana State Planning Board was established. In the intervening 40 years, economic development programs have grown in size and scope but the state effort remains underfunded, understaffed, and without clearly

defined objectives. The Department of Community Affairs through its Economic Development Division is the state's lead agency for economic development. There are, in addition, sixteen other state government offices, agencies, divisions, departments and university units involved in one or more aspects of economic research, planning, and development. Moreover, there is not one agency with the individual authority or capacity to provide leadership and coordinate the activities of the others. While it is impractical to consider a total merging of all economic development and related activities into a one organizational entity, it is possible to improve the efficiency and effectiveness of the existing economic development program.

Therefore, it is recommended that the Governor's Office of Commerce be merged with the Economic Development Division of the Department of Community Affairs. This agency will have the general responsibility to implement state economic planning and development policies as directed by the Governor and the Legislature, provide staff support for the Council of Economic Advisors, and make economic policy recommendations to the Council, the Governor, and the Legislature.

It is further recommended Montana establish a new 5-9 member Council of Economic Advisors, appointed by the Governor, to make recommendations to the Governor concerning the state of Montana's economy and develop policies for statewide economic growth and stability.

Implementation of these recommendations will not require new or amended statutory authority. The support and concurrence of the legislature is requested.

Personnel Management

The objective of a personnel system is to execute the business of state government in the most efficient and economical manner possible. To meet this objective requires the recruitment, employment, and retention of people with the highest competence and dedication. In turn, to procure, develop and maintain people requires a personnel system that is responsive to employees and management alike.

In reviewing Montana's personnel structure, the current structure can be described as a fragmented, duplicative system which tends to reduce efficiency and lacks the ability to deliver quality service. Responsibilities for personnel functions lie with several agencies such as the Personnel Division, Merit System Bureau and individual state agencies. The effectiveness of personnel management varies considerably from agency to agency and the final responsibility is uncoordinated and vague. There is a need to upgrade and centralize the personnel system in an attempt to provide uniformity of direction in all aspects of personnel management for all operating agencies.

It is recommended that the functions of the Merit System Bureau be transferred to the Personnel Division of the Department of Administration and that the Merit System Bureau as a separate organizational entity be abolished. The Merit System Bureau is charged with the responsibility of recruiting, testing, and screening job applicants for positions in state agencies covered by the Merit System. The Merit System Bureau is provided for in Sections 59-902, 69-4109, 71-217, and 87-123, R.C.M. 1947. The transfer of bureau functions will require amendments to existing law.

Department of Labor and Industry

The mission of the Department of Labor and Industry is to administer all laws relating to labor relations and to protect the rights of the working person by insuring that fair, just, and safe labor practices are upheld by Montana employers. Through its four divisions -- Employment Security, Personnel Appeals, Labor Standards, and Workers' Compensation -- the Department administers industrial accident programs, unemployment insurance, vocational training and placement programs, oversees working conditions, wage and hour standards and equal employment opportunities.

At present, the effectiveness of the Department is diminished by the absence of planning capability for the development and implementation of manpower programs. Furthermore, the Workers' Compensation Division is attached to the Department for administrative purposes only which weakens administrative oversight and the accountability of division.

It is recommended the Department of Labor and Industry strengthen its capacity to plan, develop, implement, and administer state manpower programs with the addition of a specialized planning unit. This goal can be accomplished by transferring the Manpower Planning Council from the Governor's Office to the Department.

It is also recommended that the Commissioner of Labor and Industry be granted the authority to appoint the administrator of the Workers' Compensation Division. This action will make the Division an internal unit of the Department and strengthen administration of the Workers'

Compensation Program. This change will require amending Section 82A-1004, R.C.M., 1947 to read "the division head is an administrator appointed by the Commissioner of Labor and Industry."

ATTACHMENT A

1. The Department of Health and Environmental Sciences: A Resource Inventory

2. A Management Plan for Delivery of Community Based Services to Institutionalized Developmentally Disabled Citizens

3. Montana Sources of Socio-Economic Data

4. User Perspectives of Qualitative Methods: Understanding and Meeting the Challenge

5. The Implementation of the Health Systems Agency in Montana

6. Rural Industrialization and Social Cost: A Perspective from NEPA

7. The Department of Social and Rehabilitation Services: A Resource Inventory

8. The Growth of Montana State Government

9. Mental Commitment and Treatment Handbook: A Guide To The Mental Commitment and Treatment Act of 1975

10. Handbook for the Habilitation and Commitment of the Developmentally Disabled: A Guide To The Treatment Of The Developmentally Disabled Act Of 1976

11. Detention and Shelter Care Plan 1976

STATE OF MONTANA
ORGANIZATION OF THE EXECUTIVE BRANCH

JULY 1, 1975

ELECTED CONSTITUTIONAL OFFICERS